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Chapter 7 – Purchasing and Disbursements

7.1 General Information

The State uses an **encumbrance accounting system** to provide information on the actual extent of the State's obligations (encumbrances) and to guard against over-committing available funds. All General Fund and Special Funds under the control of the State Treasurer are subject to this encumbrance accounting system.

All financial obligations of each agency are reviewed and recorded by the Secretary of Finance and DOA when they are incurred (**29 Del. C. §6523**), through the issuance of Purchase Orders (POs) and the recording of Direct Claims. **Agencies may not enter into any agreement or contract, or incur any expenses, which will result in an obligation in excess of the agency's budgetary appropriations (29 Del. C. §6519(a)).**

7.2 Obligating Funds

Agencies may only obligate available funds, and correct amounts must be charged at the time of the issuance of a PO or a Direct Claim payment. The agency is responsible for verifying that funds are in the proper account before obligating or expending funds. If the funds are not in the proper account, the transaction should not be processed or submitted to the DOA.

An agency may not create any indebtedness or incur any obligation for personal services, work, labor, property, materials, or supplies, except by properly executed and approved requisitions or purchase orders, unless specifically exempted in the Manual and bearing the approval or approvals as prescribed by the Manual (**29 Del. C. §6512(a)**). Any obligations incurred in any other manner will not be considered an obligation of the State.

Requisitions, POs, and Direct Claims are initiated at the agency. After receiving all required agency approvals, agencies must determine if the purchase is subject to any special approvals.

All Requisitions, POs, and Direct Claims for \$5,000 or more require DOA review and approval for processing in FSF. For more information on standard and special approval requirements for transactions, agencies should refer to **Chapter 6 – Approvals**.

If no special approvals are required to process the transaction, **and** the purchase is for less than \$5,000, the Requisition, PO, or Direct Claim is processed in the FSF system with only agency approvals required.

If special approvals are required to process the purchase transaction, **and** the purchase is for \$5,000 or more, the Requisition, PO, or Direct Claim is to be forwarded for the needed additional special approvals before it is submitted to DOA for review and special processing.

7.2.1 Federal and Local School District Fund Purchases

Agencies have the option of using POs to encumber available federal funds or local school district funds. **Federal and local school district funds used for the purchase of capital assets must be encumbered.**

Agency purchases over \$5,000 made using both General Fund and federal or local school district funds must use a PO to satisfy General Fund purchase requirements. The State Application Identifier (SAI) number must be referenced on all POs used to encumber federal funds.

For additional transaction information relating to Grants, agencies should refer to Chapter 10 – Grants Management.

7.2.2 Prohibitions

No General Funds may be expended for purposes such as gratuities, greeting cards, flowers, and tickets to athletic events, when unrelated to an agency's function. The only exceptions to this policy are for employee recognition programs **(29 Del. C. §6505(c)).**

No funds may be expended for parking tickets and other traffic violations **(29 Del. C. §6505(c)).**

State officials and employees may not sign or approve any blank Requisitions or POs **(29 Del. C. §6512(c)).**

7.3 Direct Claims

Certain purchases may be made as Direct Claims, without the use of POs. Direct Claim purchases are subject to all of the State's purchasing and procurement policies, protocols, and guidelines, and all transactions require proper approvals for processing. While agencies are encouraged to encumber funds, the following transaction types do not require a formal encumbrance of funds as a prerequisite to affecting a purchase or processing payment documents:

1. All expenditures not exceeding \$5,000
2. Salaries

3. Other Employment Costs –Employer's/Employees) share
4. Employee group benefit plan expenditures approved by the General Assembly, inclusive of non-payroll groups
5. Grants-in-Aid expenditures, as per annual Grants-In-Aid legislation (Annual Bill passed by General Assembly)
6. Revenue refunds
7. Welfare and Assistance grants
8. School district payments out of local funds (not including the purchase of capital assets)
9. Debt service
10. Bond sale expenses
11. Jury Duty and witness fees
12. Investigation Funds (DSHS)
13. Court-appointed attorney's legal fees
14. Court-mandated legal settlement
15. Budget Commission Contingency Fund expenditures
16. Expenses that are an obligation of the agency, wherein the agency cannot directly control the timing and amount of the expenditures
17. Reimbursement to parents (Parent visits child placed in out-of-state facility)
18. Student private placement expenses, including tuition and transportation
19. Private carrier school transportation
20. Client placement expenses (Examinations & Premium Tax Evaluations)
21. Federal funds expenditures
22. Payments to institution inmates and patients
23. Funeral service payments
24. Freight
25. Books purchased for resale
26. Reimbursement of carriers and self-insurers from the Industrial Accident Board Second Injury and Contingency Fund
27. Hospital and medical costs incurred under the Migrant Worker Program
28. Late payment charges (**29 Del. C. §6516(d)**)
29. Patient trust funds
30. State Employee Pension Fund Investments (OMB)
31. Blue Collar Dollar (DOL)
32. Home Health Agency expenditures (DHSS)
33. Right-of-way expenditures
34. Library standards' payments (DOS)
35. School bus contractors' payments (Schools)
36. Monthly tourism convention payments (DOR)
37. DNREC Underground Storage Tank Amnesty Program
38. Bureau of Museums' purchases at auction
39. Legal Contingency Fund payments (OMB)
40. Foster Care Board and Adoption Assistance payments
41. DTI – telephone bill for state agencies (ASF)
42. OMB's GSS and DTI – replenishment for postage meter (ASF)
43. DOA PCard payment (NSF)

7.4 Transaction Processing Requirements

Each agency is responsible for processing their transactions and documents:

- in a timely manner;
- in proper sequence; and
- in accordance with established procedures.

POs may not be presented simultaneously with payment vouchers. "After-the-fact" POs will not be accepted, unless accompanied by an After-the-Fact Waiver Request form. The form can be accessed by clicking the link below.

<http://budget.delaware.gov/forms.shtml>

7.4.1 Waivers

Ordinarily, the Secretary of Finance will not approve transactions where either the documentation or the transactions reflected therein are not in accordance with the law, the accounting Manual, or DOA memoranda. Under extraordinary circumstances, the Secretary of Finance may waive compliance and approve the transactions.

To secure a waiver of procedures, an agency head (cabinet secretary or equivalent) must receive prior approval from the OMB Director, and the Secretary of Finance. The waiver request should include:

- the reason(s) the accounting procedures should be waived; **or**
- the cause for the failure to adhere to normal accounting procedures; **and**
- a showing that the best interests of the State will be served by a waiver of the procedures.

In the event the waiver request is **approved**, a copy of the request and the approval must be forwarded by the Secretary of Finance to the Auditor of Accounts and the Attorney General.

In the event the waiver request is **not approved**, the Secretary of Finance, through DOA, must report in writing to the General Assembly, the Attorney General; the OMB Director, (**29 Del. C. §8304(4)**), and the Auditor of Accounts.

7.4.2 Emergency Purchases

From time to time, agencies may face emergency situations, in which goods or services must be acquired immediately. In these cases of emergency, agencies may need to bypass normal purchasing processes and approval requirements. In instances where emergency purchases have been made, invoices received from the vendor will be processed in the same manner as for regular encumbrances.

For emergency purchases, agencies will need to complete an Emergency Purchase Justification Form and retain it in its files. This form will include a brief explanation of the emergency, a short description of the goods and services to be purchased, and space for the cabinet secretary/agency head to sign in approval. The actual financial transaction must be entered by the agency into the financial accounting and management system as a direct claim voucher or as a purchase order. In either case, the description is to include the word "EMERGENCY." For purchases that must be made immediately, a direct claim payment voucher must be prepared. In cases where the purchase must be made over an extended period of time, a purchase order must be prepared. The processing of direct claim vouchers and purchase orders go through the normal steps required.

For an electronic copy of the Emergency Purchase Justification Form, agencies should refer to <http://extranet.fsf.state.de.us/forms.shtml>.

All emergency purchases and POs will be periodically reviewed by DOA to determine the kinds of emergencies encountered. All agencies are expected to limit the use of this procedure to bona fide emergency situations, and to comply with the State's procurement provisions as set forth in **29 Del. C., Chapter 69**.

7.5 Requisitions, Purchase Orders, and Change Orders

Requisitions and POs require review and approval in the FSF system to create an encumbrance. All proposed purchases over \$5,000 require DOA review and approval in addition to any agency level approvals. For a complete list of approval requirements, agencies should refer to **Chapter 6 – Approvals**.

The Secretary of Finance, through DOA, reviews transactions to determine that:

- the request is authorized by law;
- the request is properly coded;
- the procedures set forth in the Budget and Accounting Policy Manual and the Delaware Code have been followed;
- funds are available to the department; and
- all authorized approvals have been granted.

If all these conditions are met, the transaction will be approved and the necessary funds will be encumbered. If the proposed purchase is not approved, it will be returned to the originator with an explanation.

Only approved POs and Change Orders may be dispatched to vendors. **Agencies are responsible for dispatching approved POs and Change Orders to vendors.**

7.5.1 Requisitions

A requisition creates a pre-encumbrance in the accounting system; not a formal obligation of funds. After a requisition is approved, FSF will create an approved PO (a formal encumbrance), usually through overnight batch processing. Agencies also have the option to manually source an approved requisition to a PO, if the agency does not wish to wait for the nightly process.

The DOA recommends agencies use the requisition processes in the FSF system whenever possible. Some of the advantages include a more complete audit trail, the ability to use the Requisition Lifeline functionality to check the status of purchases and more robust approvals workflow capabilities.

Agencies may encumber for purchases using either the requisition or the PO functionalities of FSF. The purchases of capital assets are recommended to begin as requisitions.

7.5.2 Regular Purchase Orders

All General and Special Funds POs must be issued to specific vendors, unless exceptions are granted by OMB. See **Section 7.5.3 – Open Order POs**, below for more information.

All POs must include a vendor identification number (VIN). A list of identification numbers for approved vendors is maintained by DOA. For instructions on how to make changes to vendor information, see the State of Delaware Substitute Form W-9 for at <http://w9.accounting.delaware.gov/W9form.aspx>. To add a new vendor to the State's list of approved vendors, see the GSS website at <http://gss.omb.delaware.gov/contracting/index.shtml>.

NOTE: If a PO is supported by a contract, the contract number must be listed on the PO or Direct Claim voucher.

7.5.3 Open Order Purchase Orders

Occasionally, agencies may wish to encumber funds for a purchase without designating a specific vendor. These non-specific vendor POs are called Open Order POs.

All requests to establish Open Order POs require concurrent approvals from the OMB Director, and the Secretary of Finance. After the Open Order PO has been approved, purchases are governed by normal purchasing procedures.

NOTE: Special approvals are only required when agencies **establish** an Open Order PO. Regular processing is used to spend against the encumbrance, after it is approved, and to process all payment vouchers.

School districts are permitted to establish Open Order purchase orders for school bus contractors **without** prior approval(s) from OMB. These POs still require DOA approval if the amount is greater than \$5000.

7.5.4 Next Fiscal Year POs – School Districts

As previously noted, agencies may not enter into any contracts or agreements, or incur any expenses, which will result in an obligation in excess of an agency's appropriation (**29 Del. C. §6519(a)**). Since each year's appropriation is not effective until July 1, this requirement prohibits the issuance of POs for the next fiscal year, until July 1 of each year.

An exception to this policy is made for school districts to allow the schools to obligate school supplies for the following school year with the provision that the obligation(s) shall not be due and payable until after July 1 (**29 Del. C. §6519(b)**). School districts may obligate funds on Next Fiscal Year POs beginning on March 1.

7.5.5 Fiscal Year Considerations for Purchase Orders

Agencies should encumber funds for year-end by specific vendor using the best estimates available. At year end, certain encumbrances may be carried over to the next fiscal year, while other encumbrances will revert back to the General Fund.

7.5.5.1 General Fund Purchase Orders & Reversions

Outstanding General Fund encumbrances that carry-over into the next fiscal year are referred to as Type 04 POs (excess amounts encumbered for a vendor). Type 04 POs are automatically reverted on June 30, the last day of the fiscal year into which the Type 04 PO was carried-over. Appropriations designated by the General Assembly as continuing are exceptions to this policy.

To pay an outstanding balance with a vendor after the encumbered funds have been reverted, agencies must either request from OMB a transfer of funds from the Prior Year Obligations Fund, or a new PO must be issued for the vendor. This new PO will be encumbered against the new fiscal year appropriation.

7.5.5.2 Special Fund Purchase Orders & Reversions

Special Fund POs (Type 20, 40, and 50) will routinely be carried in FSF for up to two years. At the end of the second fiscal year, the system will verify any activity during the preceding 12 months:

- If there has been activity associated with the PO, such as a Change Order or payment, the PO will continue as is.
- If there has not been any activity associated with the PO, the open amount of the PO will be decreased to \$0, and the funds will become unencumbered available funds.

Type 30 Special Fund POs will always be decreased to \$0 after two years, whether or not there is any activity. For more information about Special Fund reversions, contact a state accountant.

7.5.5.3 Contingency Fund

Agencies may request a transfer from the Prior Year Obligations Fund, in the event a year-end liability exists for a vendor that was not anticipated, and therefore, a specific PO was not prepared. Requests should be directed to the OMB Director.

7.5.6 Change Orders

All adjustments to encumbrances, where the aggregate total is \$5,000 or greater, (approved POs) must be initiated by agencies using a Change Order transaction, and submitted to DOA. Change Orders are to be used for all adjustments (increases or decreases) to both regular and Open Order POs.

The same approvals required to approve the original encumbrance are necessary to adjust the PO. However, when a modified PO amount exceeds a higher dollar threshold (e.g. \$5,000), additional approvals are required.

NOTE: Only dispatched POs may be altered with a Change Order. If an approved PO has **not** been dispatched, the agency should modify and process the PO through FSF workflow for a PO approval.

If a specific PO is cancelled, the agency will notify the vendor in writing.

7.5.7 Purchases of Capital Assets

Requisitions are recommended to be initiated in the finance and accounting system for purchases of capital assets. Agencies should enter asset category information into the system prior to the purchase of the asset. After the capital asset has been purchased, FSF will forward the transaction information to DOA's centralized Asset Management staff for further processing.

Agency personnel are responsible for entering product information into FSF upon receipt of goods (e.g. model number, identifying information, etc.).

Agencies should contact DOA's Asset Management staff for assistance, if required. Additional information about the State's Asset Management requirements can be found in **Chapter 13 – Asset Management**.

7.5.8 Credit Cards

Agencies and school districts may not use credit cards registered in the name of the agency, school district, or State to create an obligation of the State, except as specifically and duly authorized on an annual basis by the Secretary of Finance. Only oil company, telephone, or contract credit cards may be authorized for such purposes, and the use of such credit cards is subject to all policies and procedures established by the Secretary of Finance (**29 Del. C. §6505(c)**).

An approval for a credit card is only good for one fiscal year. Agencies must renew all credit card approvals at the start of each fiscal year in order to continue to use the card(s). For more information about state-authorized credit card use, agencies should refer to **Chapter 12 – PCard**.

7.6 Disbursements

The Secretary of Finance is responsible for safeguarding and systemizing the expenditure of state funds. State monies may only be expended to carry out the functions of State agencies. The OMB Director is responsible for directing agencies in the manner and method in which forms of indebtedness are presented, including salaries of officers and employees (**29 Del. C. §6514(a)**).

Monies drawn from the State Treasury to pay employee salaries and expenses, to defray the expense of any agency, on account of any contract for building or repairs, to purchase property, for work and labor performed, or for materials or supplies furnished to any agency must be presented to, reviewed, and approved by an approving official of the agency being charged (**29 Del. C. §6515(a)**) and by the Secretary of Finance, as required by this Manual. The Secretary of Finance may not make any requirements that will unnecessarily interfere with the prompt

payment of amounts due and may not cause the payment of salaries to state officers to be delayed beyond the due date **(29 Del. C. §6517)**.

For the payment of expenditures in which bills or statements are rendered, a Payment Voucher (PV) is used in the FSF system. For the payment of salaries, pensions, or any other expenditures in which bills or statements are not renderable, the Secretary of Finance shall present a signed statement authorizing the payment of the amounts due **(29 Del. C. §6515(d))**.

The Secretary of Finance may refuse to approve payment for an invoice or bill only, if the invoice or bill:

- More than exhausts the appropriation from which it must be paid;
- Has not been presented in accordance with this Manual and Title 29, Chapter 65 of the Delaware Code;
- Is not in accordance with the contract under which the indebtedness was created; or
- Does not have required supporting documentation or information.

This action does not apply to the payment of the principal or interest on any obligation of the State.

(29 Del. C. §6518)

Specific information regarding the required approvals for processing regular and Direct Claim Vouchers is located in **Chapter 6 – Approvals**.

7.6.1 General Information

All PVs, issued by any agency, are paid by the State Treasurer upon certification by the officers of the agency. The approval of the Secretary of Finance is required for vouchers totaling \$5,000 or more. Methods of payment may include checks, drafts, and electronic funds transfers **(29 Del. C. §2707)**.

Agencies must provide the vendor's invoice number and invoice date on all vouchers processed in the FSF system, to ensure payments from the State are properly credited to the account. The vendor's invoice number is used as a reference on the pay advice (check stub). Vendor's invoice numbers should be meaningful and unique. The State's financial management and accounting system will only process vouchers that have a unique vendor, vendor invoice number, and date combination.

Upon processing of an approved voucher, the encumbrance will be liquidated, in whole or in part, as the situation requires, and the expenditure will be recorded. If a PV is not approved, it will be returned to the department with an explanation.

Agencies should not hold back payments until the PO can be paid in total. Agencies should encourage partial billing by vendors.

7.6.2 Regular Vouchers

Regular Vouchers are also referred to as PO Vouchers and Payment Vouchers (PVs). Vouchers may be used for Direct Claim payments, or a voucher can reference a PO.

Agencies should note the receipt of goods and services covered by a PO, either through FSF Receiving functionality, or by noting "OK to Pay" on the paper invoice. The agency then prepares a PV. If the vendor's invoice and the PO are not in agreement, the difference must be charged or credited to the proper account on the State's PO, as a Change Order or as a Direct Claim, as appropriate.

A PV is used to process cash and travel advances. The advance must be coded to account code 54300, which is an "open item" account. Agencies need to balance the account back to zero (\$0) prior to year end. The State prefers agencies use the PCard for travel-related payments, rather than a cash advance.

7.6.3 Reversal Voucher

If an incorrect PO is referenced on a PV, a Reversal Voucher is used to cancel the voucher. The Reversal Voucher references the original PV number and can be used to reestablish an encumbrance.

Agencies process a Reversal Voucher to "undo" the initial PV, replacing the funds to a PO and reestablishing the encumbrance. After canceling the initial PV, agencies can then process a new PV with the correct PO reference.

7.6.4 Journal Voucher

A journal voucher is used to process corrections when agencies need to recode a previous distribution for a payment. This transaction type requires standard approvals.

7.6.5 Intergovernmental Vouchers (IV)

An Intergovernmental Voucher (IV) is used for purchases where the Buying and Selling parties on a transaction are both state agencies. An IV permits transactions between agencies without the issuance of a check (via a PV) and the subsequent execution of a CR and bank deposit.

NOTE: Agencies may only effect payment to another state agency using the PV-Check-CR-Bank deposit sequence with the **prior** approval of the Director of DOA.

7.6.5.1 Reimbursement for Services and Supplies

All state agencies which supply goods or services to any other state agency, governmental agency, person, corporation, partnership, or business are reimbursed for the full cost of the rendered goods or services. Reimbursements must be made within 30 days of billing. Full cost includes all purchase, out-of-pocket, other employment, and overhead costs, computed in accordance with this Manual and accepted governmental accounting principles.

An exception to this policy is made if, after a written request by an agency, the Governor (or his designate) decides that full cost reimbursement is not in the best interests of the State. If such a determination is made, reimbursement for the full cost of the goods or services provided will not be required until June 30 of the next odd year. This exception does not apply to specialized transportation authorities created pursuant to Chapter 17 of Title 2. (**29 Del. C. 6531**)

7.6.5.2 Special Fund Direct Bill Recoveries

Central service allocations, identified by State Special Fund activities, will be recovered from state agencies, without exception, and turned over to the appropriate central service agency. These Special Fund activities include:

1. Audit activities of the State Auditor
2. Personnel activities by OMB
3. Information technology services provided by DTI
4. The Printing and Publishing services provided by OMB's GSS
5. Telephone Services provided by DTI
6. Fleet services provided by OMB's GSS
7. Mail services provided by OMB's GSS
8. Surplus Food Distribution services provided by OMB's GSS

7.6.5.3 Inter-agency and Intra-agency Reimbursement

An IV is usually initiated by the Selling agency. Intergovernmental Vouchers consist of two types: manual and automated.

Manual Intergovernmental Vouchers (MIVs) are originated online. The Seller agency initiates the IV transaction and notifies the Buyer agency. After both agencies mark the IV complete in the State's financial management and accounting system, a nightly process builds the IV Voucher.

Automated Intergovernmental Vouchers (AIVs) are automatically produced by different agencies. DTI produces a monthly automated IV billing for telephone services. Other monthly automated IV billings include Fleet, Postage, Printing, and Food Distribution, which are produced by OMB.

In these instances, both DTI and OMB are considered the Seller agencies. The Seller agency loads data files into the State's financial management and accounting system, which generates the IVs. These IVs are automatically approved for the Seller agency. Only the Buyer agency must review and mark the IV as complete in the State's financial management and accounting system.

Intra- and Inter-agency billings should be made on a monthly basis utilizing one form for each agency from which goods or services are being received. An exception will be made in the month of June when billing may be on a weekly basis, to facilitate a timely year-end close-out.

7.6.5.4 Inter-agency and Intra-agency Transfers

Additional information regarding Inter-agency and Intra-agency Transfers is located in **Section 4.6 Budget Transfers** and **Section 4.7 Cash Transfers**.

Additional information regarding required approvals for IV transactions is located in **Chapter 6 – Approvals**.

7.6.6 Travel-Related Payments and Personal Reimbursements

Travel-related expenses will be reimbursed using a regular voucher. Employees must complete and sign an Employee Expense Voucher form to reconcile travel-related expenses, including reconciling any advances that may have been provided to the traveler. This is a manual process, external to FSF, performed prior to processing the reimbursement PV. For a complete listing of all state forms, agencies should refer to <http://extranet.fsf.state.de.us/forms.shtml>.

Reimbursement payments greater than \$5,000 require DOA approval. All supporting documentation for travel reimbursements and reconciliations are stored at the agency for audit purposes.

If a travel advance was made to the traveler, the advance must be reconciled to the actual applicable account codes. If the expenses exceed the advance, payment to the employee is for the net amount. If the advance is greater than the expenses, a collection from the employee is processed using a Cash Receipt (CR) transaction.

NOTE: All travel advances must be reconciled within 30 days of completing travel (**29 Del. C. §6520(c)**).

Employees are not provided or reimbursed for food consumed in-State, during normal working hours. Exceptions are made for the following instances:

- Employees of state agencies who regularly receive wages-in-kind in addition to their salaries;
- Employees of the Delaware Economic Development Office;
- Employee recognition activities approved by the OMB Director prior to implementation;
- When food is provided as part of a conference or registration fee, unless such a conference is primarily intended for state employees, in which case the lunch is not reimbursable;
- When refreshments are served at a meeting of primarily non-state employees and it is deemed in the best interest of the State.

(29 Del. C. §5112)

7.7 Additional Payments Information

Voucher processing in the State's FSF system offers a number of options to increase the efficiency, cost-effectiveness, and timeliness of payments. For additional information about the following processing methods and requirements, agencies should contact a state accountant.

7.7.1 Payment Consolidations

Multiple payments to the same vendor are automatically consolidated by FSF, whenever possible. Agencies may manually override system default settings for a transaction to stop a single payment from being consolidated.

Payments will consolidate statewide, whenever possible. For a limited number of vendors, school payments will consolidate by district. Each payment advice will list all the vendor invoices associated with the payment.

7.7.2 Payment Handling Codes

Payment Handling Codes are set to a default value in the State's FSF system, as part of the Vendor set-up process, but agencies can adjust the Payment Handling Code during the processing of individual voucher transactions, as needed. Each vendor can only be set up with one of the following Payment Handling Codes:

- (1) RE (Regular);
- (2) CA (Call agency/school for pick up);
- (3) PR (Payroll vendor checks); or
- (4) RA (Return to agency/school by mail).

Payment Consolidation assists OST in the distribution of checks. Agencies may not change the Payment Handling Code associated with a transaction after the pay cycle process has begun (usually an overnight process).

School districts have unique Payment Handling Codes for each district, to consolidate payments by district. School districts must change the Payment Handling Code on each Voucher for proper processing.

7.7.3 Recurring Payments

Payments may be scheduled in FSF using the recurring PO contract process. Agencies with recurring payments can establish a PO and schedule recurring Vouchers to process on a regular basis.

Only regularly scheduled payments for an identical amount are eligible for this recurring Vouchers Contract process. Examples of eligible payments include monthly copier maintenance fees or rent payments.

7.7.4 Payments Greater than \$500,000

Payments for amounts greater than \$500,000 are scheduled for payment centrally by DOA state accountants. Vouchers for amounts greater than \$500,000 are sent to DOA (via system workflow), and the state accountants will identify that the Voucher requires

that the payment be scheduled, based on the dollar amount. Agencies should contact a state accountant for additional information.

7.7.5 Single Payment Vendors

Single Payment Vendors are vendors the State pays only once for a non-taxable event. Agencies are not permitted to use Single Payment Vendors for any taxable events. Non-taxable, single payment events include, but are not limited to, revenue refunds, pension refunds, school bus training, and grants for violent crimes. Any agency with questions regarding which vendors are eligible to be Single Payment Vendors, or requiring additional information on the complete list of non-taxable events, should contact a state accountant.

7.8 Debt Service

The State Treasurer is the administrator of the State's debt service. The State Treasurer executes the State PV for payment of the State's indebtedness as a result of its borrowing program (**29 Del. C. §7417(b)**). Vouchers in payment of school district indebtedness are forwarded to the appropriate school district for approval, prior to approval from DOA. Bonds, notes, revenue notes, and the interest associated with each are payable at places inside and outside of the State, as the issuing officers may determine (**29 Del. C. §7408**).

7.9 Grant-Related Payments

7.9.1 Grants-in-Aid Payments

Funds appropriated in the Grants-in-Aid bill will be paid in installments of 25 percent, each quarter of the fiscal year. If a Grants-in-Aid total is \$6,000 or less, it will be paid on an annual basis. The General Assembly may make exceptions to this installment policy by adding epilogue language to the Grants-in-Aid bill (**29 Del. C. 6505(d)**).

7.9.2 Interest Earned on Grants-in-Aid

Interest earned on deposits of Grants-in-Aid monies are credited to the fund associated with the grant.

7.9.3 Pass-Through Grants

Federal funds passed through from one state agency to another state agency must be done using a Budget Transfer or a Budget Journal transaction, not with a PV or an IV. Only OMB may execute this transaction.

7.10 Payment of Officials and State Employees

Payment of earnings to state officials and employees, both salaried and hourly, is accomplished through PHRST (Payroll Human Resources System Technology) as a service to DOF and OST.

7.10.1 Pay Dates

The salaries of state officials and employees are paid on a bi-weekly basis. The bi-weekly payment represents earnings for the period ending 14 days prior to the check date for all state officials and employees (**29 Del. C. 2712 (a)**).

If any of the above dates of payment falls on a Saturday, Sunday or holiday, payment shall be made on the last working day prior to the specified date of payment. (**29 Del. C. §2712 (a)(3)**) Methods of payment may include checks, drafts, direct deposits, and electronic funds transfers (**29 Del. C. 2712 (b)**).

7.10.2 Social Security Payments

Payment of the employer's share of Social Security to the U.S. Government is initiated by the State Treasurer by forwarding a wire transfer and initiating a modification of amount to DOA. DOA processes a journal voucher to record the payment.

7.11 Form 1099

Agencies and schools are not permitted to file paper 1099s. **ALL** Form 1099 reportable payments to vendors must be consolidated by DOA into one filing on magnetic media. Any agency or school district that files a paper 1099 is subject to a **\$50 fine/penalty** for each form submitted to the IRS.

In accordance with IRS requirements, a telephone number must appear on 1099 forms. The disbursing agency or school's telephone number will be listed along with the payment amount, voucher number, and voucher date for each transaction that totals to the amount of the 1099-MISC form.

January 5 is the due date for submitting 1099 information into DOA. A report of the data in FSF will be generated and sent to agencies for verification. Please notify the agency's state accountant at DOA of any errors or discrepancies.

- If an agency did not make any reportable payments from the agency's internal checking accounts, agencies will need to enter the State of Delaware's E.I. number, 516000279TN in the E.I./S.S.N. block of the 1099, the agency department and organization, and \$0 in the miscellaneous block of the form.
- Agencies must include payments from **ALL** internal agency/school checking accounts, including petty cash accounts (**ALL** applicable payments other than through FSF).
- Agencies should report only one amount per individual. If multiple payments have been made to the same vendor, please consolidate the payments into one amount.
- The general rule is that a 1099 must be filed if the total payments, to individuals and/or partnerships for services, are \$600 or more. However, agencies and schools must report **ALL** payments to individuals (including state employees and/or partnerships) for services, **regardless** of the amount, because the recipient may have performed services for other state agencies, whether recorded in FSF or on other internal checking accounts.

NOTE: Per IRS regulations, all attorney fees (including law firms or other providers of legal services) using an E.I. Number (Employer Identification Number) or a Social Security Number (SSN) must be reported.

7.12 State-Issued Refunds

This section details the requirements for state-issued refunds. Agencies should refer to **Chapter 9 – Receipt of Funds, Section 9.3.5**, for policies pertaining to refunds received by the State.

7.12.1 Refund of Improperly Collected Fees

In the event any agency improperly collects fees or receipts that become revenue to the General Fund, the State Treasurer has the authority (except as otherwise provided specifically by law) to make a refund from the General Fund, after certifying with the collecting agency that the fee or receipt was improperly collected and deposited. **(29 Del. C. §2713)** The State Treasurer will execute a Direct Claim PV charging the expenditure to the Refunds and Grants appropriation.

7.12.2 Tax Refunds

If the refund is for the Current Year corporate and personal tax, the refund payment is processed through the Division of Revenue's (DOR) automated system. A Journal Entry (JE) transaction is executed to enter this data into FSF. The JE reflecting the summary of refunds by appropriation and account code is prepared by DOR and approved by the State Treasurer. The summary refund information is coded to the State Treasurer's Refunds and Grants appropriation and sent to DOA for processing.

If the refund is not for the Current Year corporate and personal tax or if the refund is for some other tax, the refund payment is not part of DOR's automated system. The refund payment is generated by DOR using a regular PV, approved by the State Treasurer.

7.13 Payment Dates

The payment date of an invoice or bill will be the date appearing on the vendor check issued by the State. The State shall make every effort to issue payments to vendors within 30 days of the:

- Presentation of a valid invoice on which a state agency is liable to make payment; or
- Receipt of goods or services, if received after the invoice or bill.

The agency must determine what constitutes "Received". Agencies should date and time stamp all incoming invoices or bills. Agencies also have the option of using the Receiving functionality of FSF.

Payment Vouchers requiring a DOA approval should be forwarded to DOA (via FSF) with at least five working days remaining in the 30-day period to ensure timely payment:

- Transactions will be processed in the order received.
- There is no guarantee of same day processing.
- A fax or copy of a document will not be accepted for processing unless an emergency situation exists and with the approval of the senior state accountant.

7.13.1 Contested Invoices or Bills

Agencies do not have to make payments or accrue interest charges on portions of an invoice or bill which is contested on reasonable grounds by the agency, provided the agency notifies the vendor, in writing and within a 30-day period, detailing the reasons for contesting the invoice or bill.

7.13.2 Vendor Interest Charges

A vendor may require that interest commence from the end of the 30-day period and continue until payment. The interest rate shall not exceed annualized rate of 12 percent. Instead of interest, vendors may charge a “penalty,” which is not permitted. All interest charges shall be paid by the agency receiving the goods or services from the vendor.

Payment of General Fund and Special Fund interest charges accrued by an agency are processed as a Direct Claim, using funds appropriated for contractual services. OMB will record payments for this purpose separately from "other contractual services". Agencies of public or higher education may make payments from local or State General Funds not restricted to another purpose.

If the agency believes the interest charge was incurred through no fault of its own, an appeal may be made to OMB and Controller General. If, in their opinion, the receiving agency demonstrates that some other agency or agencies bear greater responsibility for causing the delay which occasioned the payment of interest, the responsible agency or agencies shall reimburse the receiving agency for the interest charge.

The Secretary of Finance will report to the Controller General on January 15 and July 15 of each year:

- The name of any agency which has, within the first six months, paid interest to a vendor;
- The number of interest payments made by each agency; and
- The total amount of interest paid by each agency.

7.13.3 Vendor Discounts

Every effort must be made to take all discounts allowed by vendors. This policy requires vendors' invoices to be processed as expeditiously as possible. All agencies should seek to obtain discount terms when negotiating purchases with a vendor.

7.13.4 Advance Payments to Vendor

Payments to vendors are to be made only after goods or services are received. The only exceptions to this policy are where:

- Advance payments are standard business practices (e.g. maintenance contracts, subscriptions, registration fees, airline reservations).
- An advanced payment is in the State's best interests. Requests for such advance payments must be in writing to the OMB Director, and receive the concurrent approval of the OMB Director, and the Secretary of Finance.

7.14 Documentation

Agencies are responsible for maintaining supporting documentation for agency transactions. Agencies have the option of attaching (scanning) supporting documents to the transaction in FSF, or agencies may retain supporting hardcopy documents in compliance with the Document Retention schedules set forth by the Delaware Public Archives.

7.15 Payroll Funding Adjustment (PFA)

The Payroll Funding Adjustment (PFA) Bolt-On application provides a mechanism for the State of Delaware's agencies to correct payroll expense distribution. PFA allows agencies to redistribute Payroll charges that arise from coding errors, retroactive funding, funding shortfalls and other business practices. The PFA application must adhere to the traceability and audit ability requirements.

Every payroll funding adjustment transaction must be traceable to a tangible business event. The State requires the ability to look at an individual employee's pay and trace it from the source in PHRST to the appropriations used to fund this individual. That is, the Division of Accounting staff must be able to look at the work the individual is assigned and make the determination that the funding is appropriate for the work. Payroll funding adjustments must be made at the paycheck level and are associated with a single individual.

The Expired Appropriations Process (EAP) manages expired appropriations in FSF. When an appropriation referenced in a payroll chartfield string is expired, FSF does not allow the payroll-related transaction to post to that appropriation. The payroll transaction is modified by the EAP and charged to the Unfunded Payroll Appropriation.

The Unfunded Payroll Appropriation is a new, zero-balance appropriation, established in FSF to house "kickers." Agencies must clear balances on a regular basis. The PFA is used to redistribute charges from the Unfunded Payroll Appropriation to an active appropriation, thereby clearing the Unfunded Payroll Appropriation. Payroll transactions will continue to kick on future payroll charges until the source is corrected. To permanently correct an expired line of funding, PHRST End Users must locate and recode the source of the expired appropriation in the PHRST system.